

Executive Registry

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21 MAR 1959

Mr. Clare M. Torrey
Glore, Forgan & Co.
40 Wall Street
New York 5, New York

Dear Clare:

I have your letter of 4 March. It has been a real pleasure to recommend you for readmission to the Council on Foreign Relations and I have sent a letter to this effect to Walter Mallory in which I also quote the first two paragraphs of your letter.

25X1

In regard to the [redacted]
I know all about this and want to express my real appreciation for your support.

Clover joins me in sending best wishes and kindest personal regards to you both.

Sincerely,

SIGNED

Allen W. Dulles
Director

Enclosure

25X1

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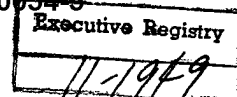
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DATE: 25 Feb 81

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GLORE, FORGAN & Co.

NEW YORK

CHICAGO

40 WALL STREET
NEW YORK 5

March 4, 1959

Hon. Allen W. Dulles
c/o Department of State
Washington, D. C.

Dear Allen:

✓ A good many years ago you were kind enough to sponsor me for membership in the Council on Foreign Relations which I greatly enjoyed during the time I resided in New York. However, when the family moved to the country in 1941, I resigned feeling that I could not attend the evening meetings. Now, as you may know, Sue has taken a part in a Broadway production; John and Michael, the twins, are at the University of Pennsylvania and the University of California, respectively; little Susan is at school in Switzerland; and our youngest, Jim, who is eleven, is at the Fay School in Southborough, Massachusetts. Sue and I have rented our home in New Jersey and are living in a New York apartment. We shall probably continue to do so indefinitely.

I am writing to ask if there is any means whereby I may be readmitted to the Council. I know that in other clubs or associations there is some provision for the re-entry of former members. While this may not be the case in the Council, might not some consideration be given on the waiting list to a former member? I am very anxious indeed to rejoin, and feel I could contribute more substantially toward the conferences than in my previous incarnation.

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It may interest you, too, to glance over the enclosed preliminary prospectus of a fund for investment in the Common Market, with the origination and development of which I have had a great deal to do.

I am sure that you and Clover would like to know that our daughter, Katharine, gave birth to her third child, a boy, at the Wellesley Newton Hospital near Boston, on February 26. They are to name him Thomas Eliot after a relative of Mr. Forkner's, who happens to be a poet. Her two other children, aged respectively 2-1/2 and 1, are fine and so indeed is Katie. I do hope that young Allen is showing some improvement. I know what a difficult time he has had and how hard it must be for you and Clover.

I do hope I shall see you one of these days in New York. In the meantime, with most cordial greetings to you and Clover, I am

Yours sincerely,

Clare M. Torrey
Clare M. Torrey

CMT:ldi
Enc

PRELIMINARY PROSPECTUS DATED MARCH 3, 1959.

Approved For Release 2003/04/18 : CIA-RDP80R01731R000300090054-5

2,500,000 Shares

Eurofund, Inc.
(A European Common Market Fund)

Nº 4601

COMMON STOCK

Par Value \$1 Per Share

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Custodian and Transfer Agent: Bankers Trust Company, New York, N. Y.

	Price to Public	Underwriting Discounts and Commissions(1)	Proceeds to Company(2)
Per Share	\$20	\$	\$
Total	\$50,000,000	\$	\$

(1) Eurofund has agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

(2) Before deduction of expenses payable by Eurofund in connection with its organization and the issuance and distribution of the Common Stock covered by this Prospectus, estimated at \$

These shares are offered subject to prior sale and when, as and if issued and accepted by the Underwriters, including the undersigned and others named herein, and subject to the approval of Messrs. Cleary, Gottlieb, Friendly & Hamilton, counsel for the Underwriters, and Messrs. Burke & Burke, counsel for Eurofund, and to certain further conditions. It is expected that certificates for the shares will be ready for delivery on or about , 1959, at the office of Glore, Forgan & Co., 40 Wall Street, New York, N. Y., against payment therefor in New York funds.

Glore, Forgan & Co.

The date of this Prospectus is , 1959.

Approved For Release 2003/04/18 : CIA-RDP80R01731R000300090054-5

A registration statement relating to these securities has been filed with the Securities and Exchange Commission but has not yet become effective. Information contained herein is subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the registration statement becomes effective. This prospectus shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

No dealer, salesman or other person has been authorized to give any information or to make any representation other than as contained in this Prospectus in connection with the offer contained in this Prospectus, and information or representations not herein contained, if given or made, must not be relied upon as having been authorized by Eurofund or by the Underwriters. This Prospectus does not constitute an offer by Eurofund or by the Underwriters in any State or Country to any person to whom it is unlawful to make such offer in such State or Country.

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IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

EUROFUND

Eurofund, Inc. ("Eurofund"), incorporated in Maryland on February 25, 1959, is a closed-end non-diversified investment company. It is felt that there is in the United States an increasing interest in the European Common Market and its possible investment opportunities, and that American investors may wish a medium for investing in the Common Market. It is the purpose of Eurofund to provide a means through which American investors may participate in an extensive investment portfolio supervised by a management informed on European investment opportunities and on the measures of risk inherent therein.

Since Eurofund is a closed-end investment company, its shares are not redeemable. However, subject to provisions of law, Eurofund's Board of Directors has discretion to repurchase shares when available at a repurchase price below their net asset value.

INVESTMENT OBJECTIVES AND POLICY

Based on the belief that the Common Market will further the development and expansion of business and industry in its six member countries, Eurofund intends to invest primarily in equity securities of companies operating in those countries. Eurofund believes that such a policy will contribute to the attainment of capital appreciation, which is its principal objective. While the earning of dividend or interest income will be given due consideration, it will normally be deemed of secondary importance.

Although Eurofund intends to emphasize equity investments in companies having substantial operations in the Common Market countries (including the overseas territories and non-European countries which have special relations with Common Market countries and which, under the European Economic Community Treaty, may be associated with the Common Market), it may from time to time make equity investments in companies operating in other selected European countries, including the United Kingdom. Also, there may be periods when prudent policy will require a reduction in equity positions and increased commitments in senior securities or in the obligations of European governments or of the United States of America. Accordingly, Eurofund will avoid rigid investment policies which could prevent it from adapting its investment portfolio to changing political or economic conditions.

The advantages of reasonable diversification of investments will be recognized, but Eurofund will not be limited as to the proportion of its assets that may be invested in any company or the proportion of the securities of any issuer it may acquire. Eurofund does not propose to concentrate its investments in particular industries and will not in any event invest more than 25% of its total assets in any one industry. Neither does Eurofund propose to invest in companies for the purpose of exercising management or control; however, investments made for other purposes may nevertheless in some cases result in Eurofund having a controlling interest in some company or companies.

Eurofund may also make loans other than through the purchase of senior securities or government obligations, but it is expected that under ordinary conditions any such loan will also involve an equity interest in the borrower or considerations other than the earning of interest income.

It will be the policy of Eurofund to purchase and sell securities from time to time to carry out its investment policies but not for trading purposes. Because of the usual risks involved in investing, there can be no assurance that Eurofund's investment policy will result in the attainment of its objectives.

Eurofund has authority to deal in foreign exchange in connection with the purchase and sale of its portfolio securities, and also has authority to sell forward foreign exchange as a hedge in an effort to minimize the effects of possible currency devaluation. Such hedging against a decline in the value of a currency does not of course eliminate fluctuations in the prices of the securities purchased in such currency or prevent loss if the prices of such securities should decline. Eurofund intends to pursue an investment policy that will give reasonable assurance of suitable convertibility of its capital and income. It is expected that the exchange control regulations presently existing in the Common Market countries will not materially restrict Eurofund, in following such a policy, from making desirable investments in any of those countries. It should be recognized, however, that exchange control regulations have, in the past, restricted foreign investment in countries of the Common Market. Future exchange control regulations, if any are adopted, could restrict Eurofund in pursuing its investment policies.

USE OF PROCEEDS

While Eurofund intends to invest the net proceeds of this offering in accordance with the foregoing investment policies, there may be a period of time before the entire net proceeds may be advantageously invested in securities of companies operating in the Common Market. Therefore, Eurofund may invest part of such proceeds, on a temporary basis, in United States or European government obligations. No portion of such proceeds has at this time been allocated for the purpose of making any particular investment.

INVESTMENT RESTRICTIONS

Eurofund may not, without approval of holders of a majority of its outstanding stock:

- (a) Sell securities short, or purchase securities on margin, or participate on a joint or joint and several basis in any trading account in any securities.
- (b) Act as an underwriter of securities, provided that this shall not limit Eurofund's right to purchase securities for its investment portfolio.
- (c) Invest in the securities of other investment companies except through purchases in the open market where no more than a customary broker's commission is paid or in connection with a merger or consolidation.
- (d) Purchase or sell commodities or commodities contracts.
- (e) Purchase or retain securities of any issuer if any officer or director of Eurofund or its investment advisers or any officer or director thereof (a) owns beneficially more than one-half of 1% of the securities of that issuer and (b) such persons owning more than one-half of 1% of such securities together own beneficially more than 5% of the securities of such issuer.
- (f) Purchase real estate, except as may be necessary for the operation of its affairs, provided that this shall not limit Eurofund's right to acquire for its investment portfolio securities of real estate companies.
- (g) Borrow money other than (i) through the issuance of debt securities having a maturity date of not less than five years from the date of issue and in an aggregate amount outstanding at any one time not in excess of 25% of Eurofund's total assets, and (ii) as a temporary measure for extraordinary or emergency purposes, and then only in an aggregate amount not in excess of 10% of Eurofund's total assets.
- (h) Issue preferred stock.

In addition, The Investment Company Act of 1940 sets forth certain other restrictions with respect to Eurofund's investments, principally as to transactions with affiliated persons.

INVESTMENT ADVISERS

Eurofund will receive advice from two investment advisers, one European and the other American.

European Investment Adviser

Eurofund Beratungs A.G. (Eurofund Advisory Corporation), a Swiss corporation with offices at 7 Kaufhausgasse, Basle, Switzerland, organized and wholly owned by the partners of E. Gutzwiller & Cie., a private bank located in Basle, and the partners of R. de Lubersac & Cie., a private bank located in Paris, has been retained as Eurofund's European Investment Adviser.

The European Investment Adviser has contracts with the following four banks:

Banque de Bruxelles (Benelux)
Crédit Commercial de France (France)
Dresdner Bank (Germany)
Banca Commerciale Italiana (Italy)

These four banks, all prominent in their respective countries, are believed to be well suited for observing and evaluating, among other matters, the effect of the Common Market on specific securities issued by companies operating within its boundaries. These banks conduct a general banking business and each of them has in excess of 150 branches and agencies. Their financial statements show total deposits ranging from approximately \$150,000,000 in the case of one of the banks to approximately \$1,300,000,000 in the case of two of them. These banks and their predecessors have all been in business for more than 60 years.

The contracts with the banks provide that the facilities and services of their research departments will be available to the European Investment Adviser. The European Investment Adviser will receive information and reports relating to particular securities from the banks and will be able to call upon them for specific analyses, memoranda and opinions. The European Investment Adviser will analyze the information received from the banks, and refer it and such other information as it may initiate or receive, with its own evaluations and recommendations, to the American Investment Adviser, by which it will be reviewed and presented to Eurofund's Board of Directors (or its Executive Committee), which will make the final decision with respect to all investment matters.

E. Gutzwiller & Cie., besides being represented on the boards of several well known European companies, is one of the sponsors of Société Internationale de Placements (a Swiss company which manages a series of investment trusts with total assets of about \$200,000,000), advises Unifonds, an investment trust holding German securities, and is sales representative for a number of American investment companies in Europe. R. de Lubersac & Cie. has close ties with E. Gutzwiller & Cie., and is active on European exchanges and in financial markets in various parts of the world. It is represented on the boards of a number of important European companies.

American Investment Adviser

Eurofund American Advisory Company, Inc., a New York corporation with offices at 14 Wall Street, New York, New York, has been retained as Eurofund's American Investment Adviser.

Eurofund American Advisory Company, Inc. was organized, and is wholly owned, by the partners of Glore, Forgan & Co., a member firm of the New York Stock Exchange which carries on a general investment banking business. Glore, Forgan & Co. acts as underwriter and financial adviser, and as dealer and broker with respect to all types of corporate and municipal securities.

The American Investment Adviser has retained Bankers Trust Company to furnish such advice regarding economic factors and trends, and such background information, as it may be in a position to furnish and as may be useful to the American Investment Adviser in connection with the American Investment Adviser's function of furnishing investment advice to Eurofund and its review of investment advice received from Eurofund's European Investment Adviser. Eurofund's accounting and clerical requirements in connection with its portfolio and cash will be supplied by Bankers Trust Company as general custodian. Eurofund's other accounting and clerical requirements in New York City, and those of its American Investment Adviser, will be supplied by Bankers Trust Company under its contract with the American Investment Adviser.

General

Contracts have been entered into between Eurofund and each of the two investment advisers. Each of these contracts will remain in effect until the first annual meeting of Eurofund's stockholders, and, provided it is approved at such meeting, thereafter from year to year if approved at least annually by the Board of Directors or by vote of a majority of Eurofund's outstanding voting securities. However, each contract may be terminated by Eurofund on sixty days notice or by the investment adviser on six months notice, and terminates automatically if assigned. Pursuant to these contracts, each of the investment advisers will provide Eurofund with investment advice and research, for which the investment adviser will bear all the expense. In addition, each investment adviser will pay the compensation and expenses of any officers, directors, or employees of Eurofund who may also be partners, officers, directors, or employees of such investment adviser or of any of its stockholders. The investment advisers will also bear the cost of certain of Eurofund's accounting, statistical and clerical requirements. The European Investment Adviser will compensate the four European banks retained by it for their services. Eurofund will compensate Bankers Trust Company for its services as general custodian, transfer agent and dividend disbursing agent, and the American Investment Adviser will compensate Bankers Trust Company for its other services referred to above.

For all of their services, the European and American Investment Advisers, together, will receive compensation at the annual rate of $\frac{9}{16}$ of 1% of the value of Eurofund's net assets, payable quarterly and computed on the basis of net asset value on the last Friday of each quarter. The European Investment Adviser will receive $\frac{2}{3}$ of this total compensation and the American Investment Adviser $\frac{1}{3}$. The contracts between Eurofund and each of the investment advisers provide that, if and to the extent that the total expenses of Eurofund (including compensation to the investment advisers but excluding taxes and interest) in any fiscal year exceed 1% of Eurofund's average net assets during that year, based on computations made at least quarterly, the total compensation of the investment advisers in such year will be reduced by the amount of any such excess. Each investment adviser will bear such proportionate part of the reduction as its compensation bears to the total compensation of both investment advisers. For this purpose, the term "expenses" does not include any costs in connection with Eurofund's organization or the issuance or distribution of securities issued by it or any brokerage commissions or other costs of acquiring or disposing of its portfolio securities or any costs incurred or arising other than in the ordinary course of Eurofund's business.

The contracts between Eurofund and each of the investment advisers provide that neither investment adviser, nor any stockholder of either of them (including Glore, Forgan & Co., E. Gutzwiller & Cie. and R. de Lubersac & Cie.), may be paid, directly or indirectly, any brokerage commissions in connection with securities transactions for Eurofund's account during the existence of the contract.

Mr. Ernest Gutzwiller, a director of Eurofund, is a partner of E. Gutzwiller & Cie. and of R. de Lubersac & Cie. Mr. Raoul de Lubersac, a director of Eurofund, is a partner of R. de Lubersac & Cie. Mr. J. Russell Forgan, a director and the President of Eurofund, and Mr. Charles J. Hodge, a director of Eurofund, are partners of Glore, Forgan & Co.

THE COMMON MARKET

Since World War II there has been a strong movement in Europe toward economic and political integration of various countries. While most of the Western European nations have participated in the work of the Organization for European Economic Cooperation (OEEC) and in certain other cooperative institutions and arrangements, the most far-reaching steps toward integration have been taken by six countries: France, the Federal Republic of Germany, Italy, Belgium, the Netherlands and Luxembourg.

The first combined action taken by these six nations was the creation, by treaty signed April 18, 1951, of the European Coal and Steel Community. By the provisions of that treaty the signatory nations agreed to eliminate restrictions and discriminations inhibiting the free movement within the Community of coal, steel and certain related products.

The same six nations took further action toward economic and political integration with the signing in Rome of two additional treaties on March 25, 1957. One of these treaties provided for the creation of the European Atomic Energy Community (EURATOM) for the development and administration of a joint atomic energy program. The other treaty established the European Economic Community.

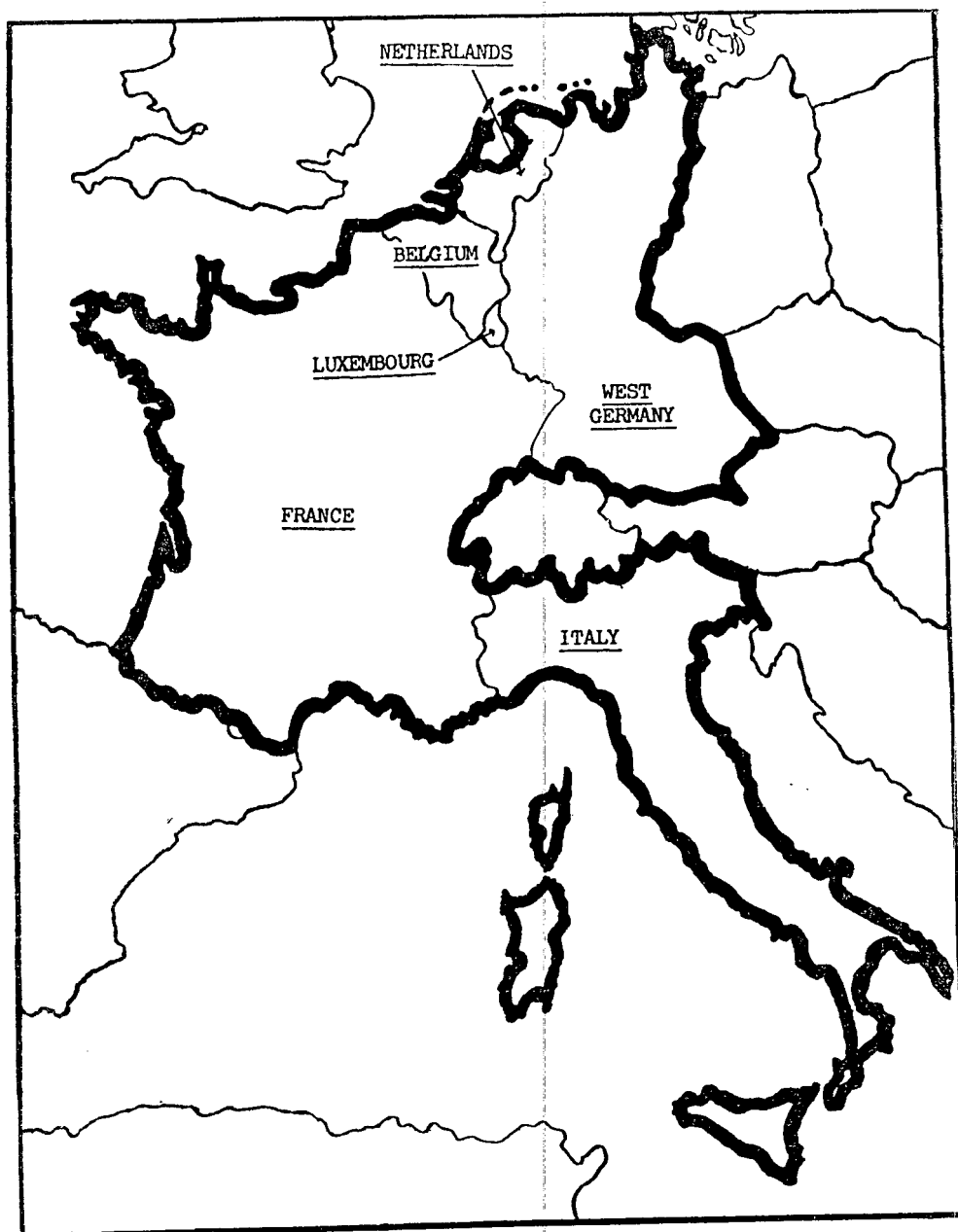
European Economic Community Treaty

The European Economic Community Treaty (Treaty) provides that within 12 to 15 years from January 1, 1958, a European Common Market (ECM) is to be created by progressively removing restrictions and discriminations and by taking other measures to make possible the free movement within the European Economic Community of goods, labor, services and capital. The first steps toward the creation of the Common Market were taken January 1, 1959. With respect to the movement of goods within the ECM each of the six countries that are members of the European Economic Community reduced its tariffs by 10% while enlarging its import quotas to permit the entry of an additional 20% (measured by total value) of goods subject to these quotas.

The Treaty does not require the elimination of tariffs and restrictions on imports from countries outside the ECM; instead, with respect to such imports the ECM Countries are progressively to establish a common tariff. In principle, this common tariff is fixed at the level of the average of the rates imposed by the six countries. Under this formula, for the Benelux countries (Belgium, Luxembourg and the Netherlands) and Germany the common tariff in most instances will tend to be higher than the tariffs now imposed; for France and Italy it will tend to be somewhat lower. For certain listed products the formula of an arithmetic average does not apply; the common tariff is fixed by the Treaty or is left to future negotiation.

In addition to provisions for eliminating trade barriers erected by the governments of the six countries, the Treaty contains antitrust provisions designed to minimize the interference with

MAP OF THE EUROPEAN COMMON MARKET



1957 population figures for the ECM Countries are as follows:

Belgium	8,989,000
Luxembourg	314,000
France	44,000,000
West Germany	51,470,000
Italy	48,353,000
Netherlands	11,009,000
Total	164,135,000

Source: OEEC, *Industrial Statistics, 1900-1957*.

trade that may result from restrictive agreements or monopolistic practices. The Treaty provides that procedures and sanctions to give effect to the antitrust provisions are to be promulgated by January 1, 1961. Until such procedures and sanctions have entered into force, the Treaty provides that the governments of the ECM Countries shall, in conformity with the law of their countries and the antitrust provisions of the Treaty, "rule upon the admissibility of any understanding and upon any improper advantage taken of a dominant position in the Common Market."*

The Treaty contains certain escape provisions as well as requirements that certain subjects be dealt with by consultation and agreement. It is not possible to predict at this time what the effect of these provisions will be upon the attainment of the Treaty's objectives.

Mechanisms for Development and Assistance

Since the creation of the Common Market is expected to involve some diversion and re-channeling of the flow of trade, with a resultant dislocation of industry and manpower, the Treaty establishes a European Social Fund to assist and facilitate the reemployment of workers by helping to finance occupational retraining and resettlement. The respective contributions of the member governments to this Fund are to be fixed from year to year in accordance with a scale set forth in the Treaty.

In addition, the Treaty creates a European Investment Bank which has the task of contributing to the balanced and orderly development of the Common Market. The Bank, by loans and guarantees, is to facilitate the financing of projects for developing the less developed regions of the Community and for modernizing or converting existing enterprises. It may also facilitate the financing of projects for creating new activities called for by the progressive establishment of the Common Market as well as of projects of common interest to several ECM Countries; but only where such projects are of such size or nature as to preclude financing by the means available in an individual ECM country.

The Bank is to have capital equivalent to one billion U. S. dollars subscribed by the ECM Countries, to be paid in over a period of time. It may raise additional funds by borrowing in international capital markets or from member governments. The total amount of its loans and guarantees outstanding at any one time may not exceed 250% of its subscribed capital.

In addition to the Social Fund and the Investment Bank, provision is made for a Development Fund for overseas territories, to be contributed by the governments of the ECM Countries in an aggregate amount equivalent to 581.25 million U. S. dollars to be paid in over a five year period. This Fund is to be used to finance projects for social institutions and economic investments in the overseas territories of the ECM Countries.

The Treaty also contains procedures for the granting of mutual assistance when any of the ECM Countries is confronted with balance of payments difficulties.

Major Institutions of the Community

The responsibility for carrying out the purposes of the Treaty is entrusted to institutions established pursuant to its provisions. These institutions consist principally of a Council of Ministers, an Economic Commission, a Court and an Assembly.

The Council of Ministers and the Economic Commission have the responsibility for supervising and facilitating the establishment and operation of the Common Market. The Council of

* Taken from translation of the Treaty published by the Secretariat of the Interim Committee for the Common Market and Euratom, Brussels.

Ministers is responsible, in addition, for assuring coordination of the general economic policies of the governments of the ECM Countries.

The Council of Ministers consists of one representative of each of the six governments.

The Commission is composed of nine members chosen by agreement of the governments. They serve for fixed terms and are to act for the general interests of the Community without seeking or accepting instructions from any government or other body.

The Court has the responsibility for assuring the proper interpretation and application of the Treaty. It consists of seven judges chosen by agreement of the governments.

The Assembly, which convenes annually and may also meet in extraordinary sessions, reviews the work of the Economic Commission and, by vote of censure, can compel the resignation, in a body, of the members of the Commission. The Assembly consists of 142 delegates appointed by the Parliaments of the ECM Countries from among their members.

Some Economic Aspects of the Common Market

The European Coal and Steel Community, which came into being in 1952, has experienced a substantial increase in trade in coal, iron ore and steel among member countries of the Community, as is shown in Table I.

Table I
Trade Among the European Coal and Steel Community Countries
(Thousands of Metric Tons)

	<u>Iron and Steel Products</u>	<u>Iron Ore</u>	<u>Coal and Coal Briquettes</u>
1952	2,108.4	9,404.4	16,315
1953	2,899.2	10,470.0	19,916
1954	4,153.8	10,828.8	23,600
1955	5,664.1	13,521.5	23,236
1956	5,079.7	14,067.6	19,707
1957 (Preliminary)	5,711.5	14,317.3	19,822
Increase for Period 1952-1957	170.9%	52.2%	21.5%

Source: European Coal and Steel Community, *Sixth General Report on the Activities of the Community*, Vol. II.

The creation of the Common Market may likewise result in increases in trade among the ECM Countries with respect to a wide range of goods. Another possible effect of the Common Market may be increased specialization and mechanization of production so as to take advantage of the economies of large scale production made possible by a mass market. To the extent that these effects are realized, they should manifest themselves in expanded investment, increased productivity, lower production costs, rising national income, higher levels of consumer expenditures and generally increased trade.

Enterprises in the ECM Countries are taking account of the Common Market in their business planning. Some firms are studying the desirability of consolidating or relocating their plants as well as realigning production in order to concentrate on lines that can best be produced in the

competitive climate of a larger market. There have also been announcements of mergers and cooperative arrangements among enterprises.

The reorganizing and regrouping of enterprises to meet the new conditions of the Common Market will presumably require capital. Some capital may also be needed by American firms to finance the establishment of production facilities in the Community. After the Common Market becomes fully effective, firms exporting into the Community will face a common tariff while firms producing within the Community will be able to sell their goods anywhere in the ECM Countries free of tariffs or restrictions. As a result, some American firms are finding it desirable either to establish plants of their own in the Common Market or to make partnership or other cooperative arrangements with established Common Market firms. In addition, other American firms which have never before done substantial business with the ECM Countries are being attracted by the prospect of applying American mass production and distribution techniques to this new large market.

The six ECM Countries are among the most highly developed and industrialized nations of the world. During the post-war period the economies of these countries have shown persistent growth. The pace of this growth since 1949 in selected industrial sectors compared to U. S. results is shown by Table II.

Table II
Indices of Industrial Production
1953=100

	Total Industrial Production		Manufacturing		Textiles		Basic Metals		Metal Products		Chemical	
	ECM	US	ECM	US	ECM	US	ECM	US	ECM	US	ECM	US
1950	80	84	80	83	90	107	82	87	75	69	74	83
1951	92	90	92	89	96	103	100	95	90	78	90	93
1952	94	93	93	92	90	99	107	88	96	87	87	94
1953	100	100	100	100	100	100	100	100	100	100	100	100
1954	110	93	110	93	106	91	114	82	113	90	116	100
1955	122	104	123	103	107	102	137	106	132	99	130	112
1956	132	107	134	106	114	100	146	105	146	103	142	118
1957	141	107	144	107	122	95	154	100	154	105	155	121

Source: OEEC, *Industrial Statistics, 1900-1957*.

The aggregate of the Gross National Products (GNP) of the ECM Countries rose from the equivalent of 75 billion U. S. dollars in 1950 to 139 billion dollars in 1956—an increase of 86% in six years. The average annual rate of increase was 10.9% per year. During the same period the GNP of the United States increased 46%, or at an average annual rate of 6.5%. It should be noted, however, that part of the increase in the value of the aggregate GNP of the ECM Countries may be attributable to the fact that during the period in question, prices rose faster in certain of those countries than in the United States. Table III shows the growth of population and GNP for both the ECM Countries and the United States.

Table III
Population and Gross National Product

	Population in Thousands ¹		GNP in Billions U.S. Dollars ²		Year-to-Year % Change in GNP	
	ECM	U.S.	ECM	U.S.	ECM	U.S.
1950	155,236	151,683	74.91	288.5	—	—
1951	156,660	154,360	91.56	332.8	+22.2	+15.4
1952	157,769	157,028	102.85	350.7	+12.3	+ 5.4
1953	158,911	159,636	107.97	368.4	+ 5.0	+ 5.0
1954	160,171	162,417	115.32	366.0	+ 6.8	— 0.7
1955	161,443	165,271	126.47	396.5	+ 9.7	+ 8.3
1956	162,836	168,174	139.47	420.5	+10.3	+ 6.1
1957	164,135	171,229	—	—	—	—

Foreign currencies were converted into \$ U. S. equivalents by using the official exchange rates in effect during the 1950-1956 period. Figures are expressed in prices current during the year in question.

¹ Source: OEEC, *Industrial Statistics, 1900-1957*.

² Source: OEEC, *Statistics of National Product and Expenditure, No. 2, 1938 and 1947 to 1955 and General Statistics, No. 1, 1958*. The 1956 figures were expressed in national currencies. For this table they have been converted to \$ U. S. equivalents using the 1956 official exchange rates found in International Monetary Fund, *International Financial Statistics*, Vol. 12, No. 2. Comparable data for 1957 GNP are not yet available.

Table IV shows a comparison of production of steel, passenger automobiles and electrical energy in the ECM Countries and the United States.

Table IV
Representative Industrial Production

	Steel (Thousands of Metric Tons) ¹		Passenger Automobiles (Thousands)		1957 Electrical Energy ⁵ (Billion KWH)
	1957	1958	1957	1958	
Belgium	6,267	6,001	—	—	12.6
France	14,100	14,592	723.8	—	57.6
Germany	27,973	26,273	959.0	—	89.3
Italy	6,787	6,266	325.9	—	42.7
Luxembourg	3,493	3,379	—	—	1.2
Netherlands	1,185	1,435	—	—	12.6
Totals	59,805	57,946	2,008.7 ²	2,483.1 ³	216.0
United States	102,300	77,343	6,133.3 ⁴	4,243 ⁴	715.7

¹ Source:

(a) ECM: Communauté Européenne du Charbon et de l'Acier, Haute Autorité, Division des Statistiques. Preliminary figures for 1958.

(b) U. S.: American Iron and Steel Institute.

² Source: OEEC, *Industrial Statistics, 1900-1957*.

³ Individual country totals were not available. The figure given was computed from the ECM monthly averages, using Fourth Quarter estimates. Source: Communautés Européennes, *Journal Officiel des Communautés Européennes*, 2d. Year, No. 6 (January 30, 1959).

⁴ Source: Standard & Poors, *Industry Surveys*.

⁵ Source: OEEC, *Industrial Statistics, 1900-1957*. Comparable data for 1958 are not yet available.

Table V shows a comparison between the ECM Countries and the United States with respect to the growth of private consumption and gross domestic fixed capital formation.

Table V

Expenditure for Private Consumption and Gross Domestic Fixed Capital Formation

	Private Consumption (Billions U. S. Dollars)		Fixed Capital Formation (Billions U. S. Dollars)		Fixed Capital Formation as % of GNP	
	ECM	U. S.	ECM	U. S.	ECM	U. S.
1950	\$50.75	\$194.12	\$13.25	\$50.43	17.69%	17.48%
1951	59.39	208.55	16.29	54.38	17.79	16.34
1952	65.80	218.55	18.39	55.14	17.88	15.72
1953	69.15	230.77	19.43	58.76	18.00	15.95
1954	73.30	236.79	21.33	59.85	18.50	16.35
1955	79.57	254.33	24.87	66.91	19.66	16.88
1956	90.05	267.54	28.05	72.48	20.11	17.24

Foreign currencies were converted into \$ U. S. equivalents by using the official exchange rates in effect during the 1950-1956 period. Figures are expressed in prices current during the year in question.

Source:

1950-1955: OEEC, *Statistics of National Product and Expenditure*, No. 2, 1938 and 1947 to 1955. Saar figures not included.

1956: OEEC, *General Statistics*, No. 1, 1958. The 1956 figures were expressed in national currencies. For this table they have been converted to \$ U. S. equivalents using the 1956 official exchange rates found in International Monetary Fund, *International Financial Statistics*, Vol. 12, No. 2. Comparable data for 1957 are not yet available.

Conclusions that may be drawn from Table V should be tempered by the relative significance of price increases in the two economies, as is noted above in the paragraph preceding Table III.

Overseas Territories

An additional stimulant to the economic growth of the Common Market Countries may come from the development of overseas territories specially tied to one or another of the six countries. These include such rich and potentially productive areas as French West Africa, French Equatorial Africa and the Belgian Congo. Under the Treaty, imports from such overseas territories are to have free entry into the Common Market, in order that, as the Common Market develops, industry in the ECM Countries will have access, on a tariff-free basis, to certain key raw materials. The Treaty further provides for measures to be taken which, when completed, should put all ECM Countries in an equal position, both as to trade and investment, with respect to the overseas territories. It is believed that this provision may tend to encourage the flow of development capital and the extension of the activities of European enterprises into those territories.

Free Trade Area

During the period that the Treaty was under negotiation the United Kingdom proposed that the benefits of the Treaty with respect to tariff and quota liberalization should be made available to all of the seventeen members of the Organization for European Economic Cooperation through the establishment of a Free Trade Area. Negotiations for the creation of a Free Trade Area were conducted during 1958 until they were suspended last November. While it appears probable that further efforts will be made to reach an agreement on some formula for minimizing the disadvantages to European countries not members of the Common Market, no prediction can be made at this time as to whether such efforts will succeed or as to the nature of any such formula that might ultimately be adopted.

In the event that no such agreement is reached it is possible that economic cooperation among the ECM Countries and other Western European nations may be adversely affected.

MANAGEMENT

The officers and directors of Eurofund, Inc. are listed below with a brief statement of their principal occupations.

S. Sloan Colt,
Chairman of the Board of Directors,
415 Madison Avenue,
New York 17, N. Y.

J. Russell Forgan,
President and Director,
40 Wall Street,
New York 5, N. Y.

Coleman Burke,
Director,
One Wall Street,
New York 5, N. Y.

Howard S. Cullman,
Director,
161 Front Street,
New York 38, N. Y.

Raoul de Lubersac,
Director,
9 Boulevard Malesherbes,
Paris, France

George F. Ferris,
Director,
140 Cedar Street,
New York 6, N. Y.

Ernest Gutzwiller,
Director,
9 Boulevard Malesherbes,
Paris, France

Robert T. Haslam,
Director,
Three Hanover Square,
New York 4, N. Y.

Director, Bankers Trust Company; formerly
President and formerly Chairman of the
Board of Directors of Bankers Trust Com-
pany

Partner, Glore, Forgan & Co.

Partner, Burke & Burke and Partner,
Bourne, Schmid, Burke & Noll

President and Director, Cullman Bros., Inc.

Partner, R. de Lubersac & Cie.

President and Director, Raymond Interna-
tional, Inc.

Partner, E. Gutzwiller & Cie. and Partner,
R. de Lubersac & Cie.

Director, W. R. Grace & Co.; Director and
member of Executive Committee, Ameri-
can Electric Power Corporation; formerly
Vice President and Director, Standard Oil
Company (New Jersey)

Charles J. Hodge, Director, 40 Wall Street, New York 5, N. Y.	Partner, Glore, Forgan & Co.
Hobart C. Ramsey, Director, 99 Park Avenue, New York 16, N. Y.	Chairman of the Board of Directors and Chief Executive Officer, Worthington Corporation
Philip D. Reed, Director, 570 Lexington Avenue, New York 22, N. Y.	Chairman Finance Committee and Director, General Electric Company; formerly Chairman of the Board of Directors, General Electric Company
Pieter van den Berg, Director, 100 East 42nd Street, New York 17, N. Y.	President and Director, North American Philips Company, Inc.
Arthur K. Watson, Director, 821 United Nations Plaza, New York 17, N. Y.	President and Director, IBM World Trade Corp.
Charles de Lubersac, Vice President, 9 Boulevard Malesherbes, Paris, France	Associate, R. de Lubersac & Cie.
Philippe Gutzwiller, Vice President, 14 Wall Street, New York 5, N. Y.	Associate, R. de Lubersac & Cie.
Archer W. Bachman, Treasurer, 14 Wall Street, New York 5, N. Y.	Assistant Vice President, Bankers Trust Company
Philip K. Hills, Jr., Secretary, One Wall Street, New York 5, N. Y.	Associate, Burke & Burke
John C. Harned, Assistant Secretary, 40 Wall Street, New York 5, N. Y.	Associate, Glore, Forgan & Co.

Prior to the commencement of the sale to the public of the shares covered by this Prospectus, the number of directors of Eurofund will be increased. The names of the additional directors and data regarding them will be set forth in the Prospectus prior to the commencement of such sale. Such additional directors will include the following: François A. Smets, Director and General Manager, Banque de Bruxelles; Hugues Jéquier, Director, Crédit Commercial de France; and Gustav Glück, Deputy General Manager, Dresdner Bank. In addition, Banca Commerciale Italiana will be represented on the Board of Eurofund by another such additional director to be named.

The remuneration of officers and directors of Eurofund who are also officers, directors, partners or employees of the American Investment Adviser or of Glore, Forgan & Co. will be paid by

the American Investment Adviser and the remuneration of officers and directors of Eurofund who are officers, directors, partners or employees of the European Investment Adviser or of E. Gutzwiller & Cie. or R. de Lubersac & Cie. will be paid by the European Investment Adviser. It is estimated that the remuneration of all other officers and directors of Eurofund, which will be paid by Eurofund, will not exceed \$75,000 in the aggregate during the current fiscal period of Eurofund.

CAPITALIZATION

The authorized capital of Eurofund consists of 8,000,000 shares of Common Stock, par value \$1 per share, with equal voting rights and equal rights with respect to dividends and assets. Each share, when issued, will be fully paid and non-assessable, and will have no conversion rights.

Eurofund does not intend to make any continuous offering of additional shares, but its Board of Directors may issue additional shares, up to the amount authorized in its charter, at such time or times as the Board may determine. Stockholders do not have preemptive rights, but the issuance of any additional shares of Common Stock will be subject to the requirements of the Investment Company Act of 1940, including the requirement that shares may not be sold at a price below their then current net asset value (exclusive of any distributing commission or discount) except in connection with an offering to stockholders or with the consent of a majority of Eurofund's Common stockholders.

Eurofund may, at some time in the future, apply for the listing of its shares on the New York Stock Exchange or other stock exchanges, but no such listing is presently contemplated.

DIVIDENDS AND TAX STATUS

Eurofund intends to qualify as a regulated investment company and to enjoy the preferred United States income tax status accorded to such companies. In order to qualify as a regulated investment company, Eurofund is required to distribute as dividends each year not less than 90% of its net income, exclusive of long-term capital gains. Any such distributions will be made in United States dollars. Eurofund is subject to United States income tax at the ordinary corporate tax rates only on its undistributed net income, exclusive of long-term capital gains.

Eurofund expects to retain for reinvestment its realized long-term capital gains after paying the tax thereon at the 25% rate. Consequently, Eurofund's stockholders will be required to report, for United States income tax purposes, their proportionate share of Eurofund's long-term capital gains so retained, but will obtain a credit for the 25% tax paid thereon by Eurofund. In the case of stockholders whose effective capital gains tax bracket is below the maximum 25% rate, this credit will result in a reduction in the net amount of income tax which would be payable by the individual stockholder if such capital gains were to be actually distributed to him. The stockholder will also be entitled to add to the tax basis of his Eurofund stock an amount equal to 75% of such capital gains retained by Eurofund for reinvestment.

Eurofund expects, under normal conditions, to invest more than 50% of its total assets in securities of foreign corporations, in which event its stockholders will be able to take advantage of the provisions of Section 853 of the United States Internal Revenue Code. Under this Section, a stockholder who is a citizen or resident of the United States must include in his gross income both cash dividends received by him from Eurofund and the amount Eurofund advises him is his proportionate share of income tax withheld by foreign governments from interest and dividends

paid on Eurofund's investments. However, under Section 853, the stockholder will also be entitled to take the amount of foreign tax withheld as a credit against his United States income tax. The stockholder, as an alternative, may treat the foreign tax withheld as a deduction from gross income in computing his taxable income, rather than as a tax credit, if that should be to his advantage. In substance, this will enable a stockholder who is a citizen or resident of the United States to benefit from the same foreign tax credit or deduction that he would receive if he were an individual owner of foreign securities, and were to pay foreign income taxes on the income therefrom. As in the case of individuals receiving income directly from foreign sources, the above-described tax credit and deduction are subject to certain limitations set forth in the Internal Revenue Code.

Eurofund expects, under normal conditions, to select investments which will result in its deriving at least 80% of gross income from sources outside the United States, in which event dividends paid to non-resident alien stockholders and foreign corporations will not be subject to United States withholding taxes, and non-resident aliens and foreign corporations will not be subject to any other United States income taxes on such dividends. Under these circumstances, non-resident aliens and foreign corporations will be entitled to a refund from the United States government of the 25% capital gains tax paid by Eurofund on their proportionate share of any long-term capital gains retained by Eurofund for reinvestment.

CUSTODIAN AND TRANSFER AGENT

Bankers Trust Company has been retained to act as general custodian of all of Eurofund's cash and securities. Since Eurofund intends to invest primarily in foreign securities, the custodian is authorized, upon the approval of Eurofund, to establish accounts in foreign currencies and to engage in foreign exchange transactions with foreign banks, banking firms and trust companies, and to cause securities of Eurofund to be held in any office of Bankers Trust Company abroad or for the account of Bankers Trust Company in European branches of one or more American banks or, subject to Eurofund's obtaining from the Securities and Exchange Commission the required exemption under the Investment Company Act of 1940, in one or more other banking institutions approved by Eurofund, including the four European banks listed above under "Investment Advisers". Bankers Trust Company is also Eurofund's transfer agent and dividend disbursing agent.

AUDITORS

Peat, Marwick, Mitchell & Co., 70 Pine Street, New York 2, New York, have been selected as independent public accountants for Eurofund for the year ending December 31, 1959.

LEGAL OPINIONS

Legal matters in connection with this offering will be passed upon for Eurofund by Messrs. Burke & Burke, One Wall Street, New York 5, New York, and for the Underwriters by Messrs. Cleary, Gottlieb, Friendly & Hamilton, 52 Wall Street, New York 5, New York.

UNDERWRITING

The Underwriters named below have severally agreed, on the terms and conditions set forth in the Underwriting Agreement between the Company and Glore, Forgan & Co., as representative

of the Underwriters, to purchase from the Company all the Common Stock offered hereby in the following respective numbers of shares:

<u>Name</u>	<u>Address</u>	<u>Number of Shares to be Purchased</u>
Glore, Forgan & Co.	40 Wall Street New York 5, N. Y.	

Total 2,500,000

The Company has been advised by Glore, Forgan & Co., as representative of the Underwriters, that the Underwriters propose to offer the Common Stock to the public initially at the offering price set forth on the cover page of this Prospectus and to certain selected dealers at such price less a concession of \$ per share, and that the Underwriters and such selected dealers may grant a reallowance of \$ per share on sales to other dealers; and that thereafter the public offering price and concessions and reallowances to dealers may be changed by the Representative. All such selected and other dealers are to be members of the National Association of Securities Dealers, Inc. or brokers and dealers in foreign countries agreeing to conform to the Rules of Fair Practice of such Association.

REGISTRATION STATEMENT

Eurofund has filed with the Securities and Exchange Commission, Washington, D. C., a Registration Statement under the Securities Act of 1933, as amended, relating to the shares of its Common Stock offered hereby. For further information with respect to Eurofund and its Common Stock, reference is made to such Registration Statement and the exhibits filed therewith.

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